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**FISCAL IMPACT STATEMENT**

**LS 7259**

**BILL NUMBER:** SB 403

**NOTE PREPARED:** Jan 6, 2004

**BILL AMENDED:**

**SUBJECT:** Sales Tax on bundled telecommunications services.

**FIRST AUTHOR:** Sen. Merritt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides that in a sale of bundled telecommunications services, which include both taxable and nontaxable services, the part of the services not ordinarily subject to the state Sales Tax is taxable unless the provider can reasonably identify the nontaxable part based on the provider's regularly kept business records.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The bill could have a minimal positive impact on state Sales Tax revenue insofar as it clarifies that the purchase of a bundled telecommunications service containing both taxable and nontaxable services is subject to the state's Sales Tax unless the provider can reasonably identify the taxable and nontaxable portions of the bill.

*Background Information:* Under current law, charges for calls made within the state are subject to the Sales Tax, while charges for long distance interstate calls are not. For the most part, local and long distance phone companies calculate and bill these charges separately. Recently, however, companies have begun to offer integrated local and long distance service packages for a flat monthly fee. This bill clarifies that when a bundled service package is offered, the provider can elect to calculate the Sales Tax on the total cost of the service.

The Mobile Telecommunications Sourcing Law (IC 6-8.1-15) contains a similar provision clarifying the sales taxability of bundled mobile telecommunications services.

Sales Tax revenue is deposited in: the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Diane Powers, 317-232-9853.